

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF JEFFREY D. HANNA from the decision of the Board of Equalization of Kootenai County for tax year 2007.) APPEAL NO. 07-A-2457
) FINAL DECISION
) AND ORDER

RESIDENTIAL PROPERTY APPEAL

THIS MATTER came on for hearing November 5, 2007, in Coeur d'Alene, Idaho before Board Member Linda S. Pike. Board Members Lyle R. Cobbs and David E. Kinghorn participated in this decision. Appellant Jeffrey D. Hanna appeared at hearing. Chief Deputy Assessor Richard Houser, Residential Appraisal Manager Darin Krier, and Appraisers Elizabeth Reese, Shane Harmon and Dustin Baertsch appeared for Respondent Kootenai County. This appeal is taken from a decision of the Kootenai County Board of Equalization denying the protest of the valuation for taxing purposes of property described as Parcel No. 51N03W098455.

The issue on appeal is the market value of a residential property.

The decision of the Kootenai County Board of Equalization is reversed.

FINDINGS OF FACT

The assessed land value is \$652,649, and the improvements' valuation is \$41,450, totaling \$694,099. At hearing Appellant requested the total value be reduced to \$640,000.

The subject property is a 1.387 acre parcel with 105 waterfront feet on the West side of Hayden Lake outside the City of Hayden. The parcel is improved with a 765 square foot residence built in 1958. Appellant purchased the property during the summer of 2003.

Appellant presented an appraisal report prepared by an independent fee appraiser with an effective date of December 31, 2006. Included in the appraisal were six (6) waterfront sales used for comparison with subject. The sales occurred during 2006 and involved properties between .39 and 1.25 acres with between 74 and 160 waterfront feet. The residences ranged

from 540 to 1951 square feet with sale prices between \$549,500 and \$835,000. Adjustments were made to account for differences compared to subject, such as; square footage, waterfront feet, age and condition of the improvements, and whether the properties had city utilities. The adjusted sale prices were reported between \$501,900 and \$711,700.

Respondent explained properties around the lake are valued according to their Geo-Economic Area (GEA). The County groups properties together having similar characteristics and assigns them to a GEA. For assessment purposes, properties in a particular GEA are trended or indexed uniformly and whenever possible values are established by sales from within the individual GEA.

Subject is located in GEA 3503, which has a total of 54 parcels. GEA 3503 was reappraised in 2002 for the 2003 tax year. Sales from 2001 were used to establish the base front foot value rate applied to all waterfront parcels in the GEA. Since that time, the GEA has been trended or indexed each year based on available sales. There were no reported sales from GEA 3503 during 2006.

Respondent questioned the value opinion reached in Appellant's fee appraisal. In particular, the sales used for comparison to subject were challenged because the properties were located outside subject's GEA 3503. The locations of Sales #1 and #2 were noted to be incorrectly indicated on the map in the appraisal report. Sale #6 was contested on the basis that even though the property sold in April 2006, it was under contract in 2005. This indicated to Respondent the price paid was based on 2005 market information.

To support subject's assessed value, Respondent presented six (6) improved waterfront sales. Because there were no reported sales in subject's GEA during 2006, Respondent looked at sales in adjacent GEAs. The two (2) sales from GEA 3502 involved lots that were .397 and

.10 acres with 81 and 100 front feet, respectively. The residences were 1,835 and 4,224 square feet with time-adjusted sale prices of \$989,750 and \$1,876,369. Respondent argued these sales were most comparable to subject in terms of waterfront characteristics. The front foot value rate applied to these properties was \$7,970. Subject was assessed at \$9,128 per front foot.

The four waterfront (4) sales in GEA 3504 involved lots between .49 and .84 acres with between 75 and 149 front feet. The residences ranged from 2,016 and 4,442 square feet with time-adjusted sale prices between \$621,180 and \$1,118,623.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

For the purposes of taxation, Idaho requires property be assessed annually at market value as defined in Idaho Code § 63-201(10):

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing sell, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Both parties used the sales comparison approach to support their respective value opinions. Appellant provided an independent fee appraisal dated December 31, 2006. The appraisal examined six (6) waterfront parcels that sold during 2006. Various adjustments were made for comparison to subject. The sales prices were between \$549,500 and \$835,000, with adjusted sale prices between \$501,900 and \$711,700. Subject's indicated value was \$640,000.

Respondent questioned the results reached in the fee appraisal. The biggest point of contention involved the location of the sale properties. It was noted all the sales occurred outside subject's GEA 3503. Respondent also pointed out the locations Sales #1 and #2 were indicated incorrectly on the map included in the appraisal report. Further, Respondent argued Sale #6 should not be considered because while it sold in April 2006, it was under contract in 2005. It was contended this sale was based on market conditions in 2005 and thus did not reflect the 2006 market.

Respondent presented six (6) improved waterfront sales that occurred during 2006. Two (2) sales were located in GEA 3502 with time-adjusted sale prices of \$989,750 and \$1,876,369. The remaining four (4) sales were located in GEA 3504 with time-adjusted sale prices between \$621,180 and \$1,118,623.

The County's challenge of the sales in the appraisal report on the basis they were located outside subject's GEA is rendered moot by the fact there were no 2006 sales in GEA 3503. Furthermore, all six (6) of Respondent's sales were also located in other GEAs. We also disagree with Respondent's argument that Sale #6 in the appraisal cannot be considered because it was under contract in 2005. Whether or not the property was under contract in 2005, it sold in April 2006; four (4) months into the new year.

Under the sales comparison approach, values are derived from examination of similar property. Both parties presented sales, so this Board is left with the task of determining which sales are most representative of subject's market value. Because subject's total value is being appealed, both the land and improvements must be considered. The most glaring difference noted between the parties' sales is the size of the residences. The smallest residence involved in Respondent's sales is 1,835 square feet, more than double subject's residence. It does not

appear adjustments were made to account for size differences. We acknowledge the residences in Respondent's sales were assessed more than subject's, but the total sale prices were argued to support total subject's assessment. Only one of the County's sale prices was lower than subject's assessed value, with the rest ranging between \$865,848 and \$1,876,369. The variance is just too great to see how these sale prices support subject's value.

The sales in the appraisal report, involved residences much closer in size to subject, with the largest residence being 1,951 square feet; minimally larger than Respondent's smallest residence. Furthermore, adjustments were made to the individual sales to reflect differences compared to subject. Respondent questioned the adjustments used to arrive at the indicated adjusted sale prices. Even if we were to ignore the adjustments, the fact remains the properties involved are overall more similar to subject. The adjustments simply tightened the value range. Either way, Appellant's value claim appears more reasonable and better supported.

For the reasons above, the decision of Kootenai County Board of Equalization is reversed to reflect subject's total value at \$640,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, reversed lowering the total assessed value to \$640,000.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

MAILED May 1, 2008